

Ulster Bank Construction PMI[®] Report (RoI)

News Release: Embargoed until 01:01 (Dublin) March 12th 2018

Rate of job creation quickens amid further sharp rise in activity

The Irish construction sector continued its strong start to the year in February, seeing further sharp increases in activity and new orders, and a faster pace of job creation. Marked increases in demand for inputs to support growth of activity led suppliers to increase their prices and resulted in delays in receiving purchased items. The **Ulster Bank Construction Purchasing Managers' Index[®] (PMI[®])** – a seasonally adjusted index designed to track changes in total construction activity – posted 59.2 in February, down from 61.4 in January but still signalling a substantial monthly increase in activity during the latest survey period. Activity has risen continuously on a monthly basis throughout the past four-and-a-half years. The latest expansion was linked by panellists to improving market conditions and greater client activity.

Commenting on the survey, Simon Barry, Chief Economist Republic of Ireland at Ulster Bank, noted that:

“Building on the very positive start to the year noted in last month’s report, the February results of the Ulster Bank Construction PMI survey indicate that Irish construction firms continue to report very rapid expansion. While the headline PMI eased back from the eight-month high recorded in January, at 59.2 it still remains at very elevated levels consistent with robust growth in activity. Particularly encouraging was a further acceleration in Housing activity where growth picked up to a ten-month high, leaving it as the strongest performing sub-sector last month. Growth in Commercial activity was also very strong, albeit that the pace of expansion eased slightly in February. And Civil Engineering recorded a welcome third consecutive month of expansion, though the pace of growth was more modest than in the other sub-sectors.

“The February results mark four and a half years of continuous expansion among Irish construction firms, and forward-looking elements of the survey suggest that near-term prospects remain positive. New orders continue to increase sharply, while there was also a strengthening of confidence about the year-ahead outlook. Sentiment rose to an eight-month high and was one of the strongest readings since the survey began over seventeen years ago, with over 60% of firms anticipating further activity gains in the coming twelve months.”

Sharp and accelerated rise in housing activity

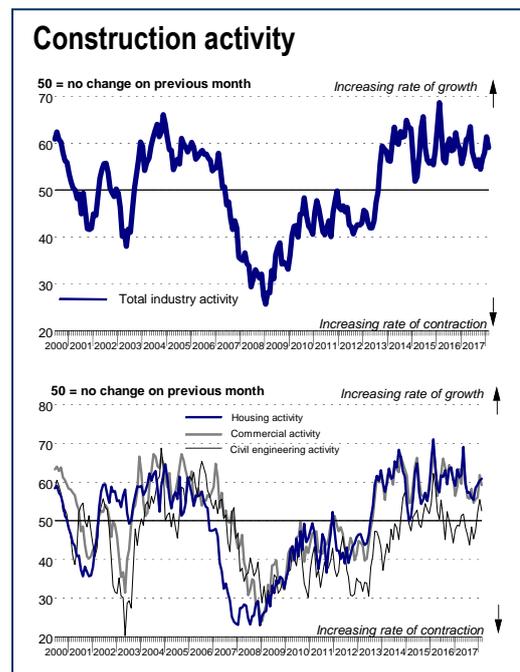
All three categories of construction covered by the survey recorded increases in activity in February. The fastest expansion was on housing projects, where the rate of growth quickened for the fourth consecutive month. Commercial activity also rose sharply, while a more modest increase was seen for civil engineering. That said, the sector has now recorded three successive monthly rises in activity.

Latest Construction PMI[®] readings

	Jan'18	Feb'18
Total Activity	61.4	59.2
Housing Activity	60.4	61.0
Commercial Activity	61.9	59.3
Civil Engineering Activity	55.6	52.7

Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.

Sources: IHS Markit, Ulster Bank.



Further strong expansion of new business

New orders increased sharply, with the rate of growth little-changed from January's six-month high. Panellists linked higher new business to improving conditions in the wider economy.

Fastest increase in employment for six months

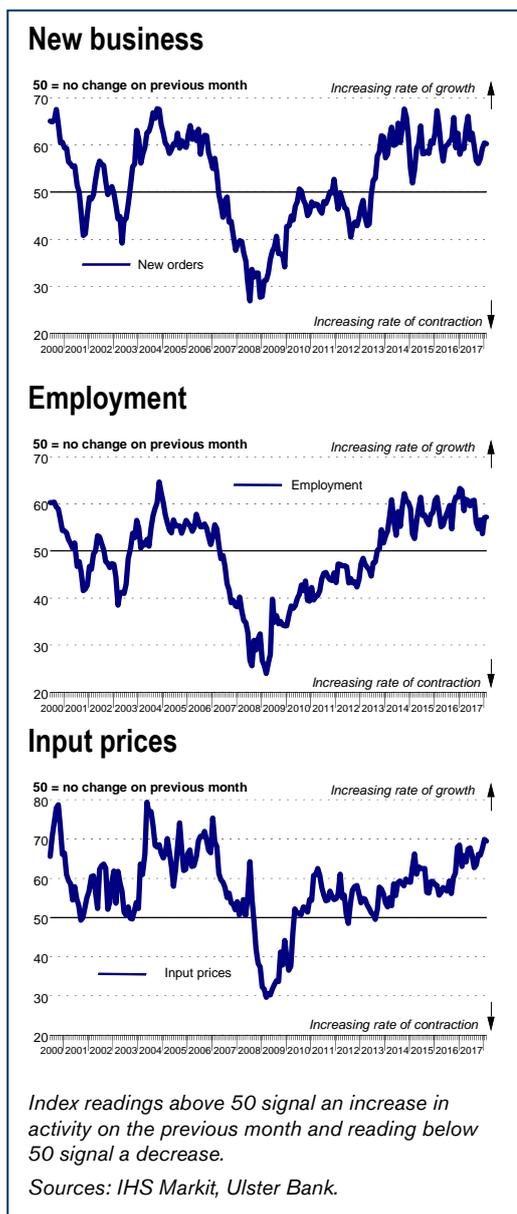
Constructors responded to rising workloads by taking on extra staff. Business expansion plans were also mentioned by some firms. The rate of job creation was substantial and the fastest in six months.

Higher new orders and efforts to replenish stocks led companies to increase their purchasing activity in February, extending the current sequence of growth to four years.

This increase in demand for inputs impacted supply chains. Vendor delivery times lengthened to the greatest extent in seven months amid stock shortages at suppliers.

Meanwhile, suppliers were able to take advantage of higher demand to raise their selling prices during February. Consequently, the rate of input cost inflation remained sharp, easing only slightly from January's recent peak.

Improving economic conditions and market confidence led to optimism among companies that construction activity will increase over the coming year. Moreover, sentiment strengthened and was one of the highest recorded in the survey's history.



Press information

For further information please contact Simon Barry, Chief Economist Republic of Ireland, on 00 353 1 643 1553 or 00 353 86 3410142 or email simon.barry@ulsterbankcm.com
https://twitter.com/UB_Economics

Purchasing Managers' Index® (or PMI)® surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

Ulster Bank Ireland DAC. Ulster Bank Ireland DAC. A private company limited by shares, trading as Ulster Bank, Ulster Bank Group, Banc Uladh and Lombard. Registered in Republic of Ireland. Registered No.25766. Registered Office: Ulster Bank Group Centre, George's Quay, Dublin 2, D02 VR98. Member of the Royal Bank of Scotland Group. Ulster Bank Ireland DAC is regulated by the Central Bank of Ireland. Calls may be recorded.

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

The Ulster Bank Construction PMI is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.

The intellectual property rights to the Ulster Bank Construction PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Limited.